

REPORT OF THE EXECUTIVE OFFICER

California Victim Compensation and Government Claims Board

Dental and Medical Treatment Rates

August 27, 2004

Purpose of the Report

To request an increase in the rates for dental and medical treatment, pursuant to California Government Code §13957.2 (a).

Background

Two years ago, the Board initiated a series of cost reductions in order to strengthen the Restitution Fund, which had been seriously depleted because record numbers of crime victims applied for compensation. The Board lowered the rate of payment for medical expenses to federal Medicare rate minus 20 percent, and lowered the rate of payment for dental expenses to the California Denti-Cal rate. In taking these actions, the Board directed that the impact of the dental and medical rate reductions should be monitored and rates should be reassessed as the Restitution Fund stabilized.¹

In early 2004, Program staff conducted an analysis of the effect of dental and medical rate reductions on victims. The analysis showed that the rate reductions, while necessary to make the Restitution Fund solvent again, did have a negative impact on crime victims' ability to access treatment. Several themes emerged from the analysis:

- Low rates of payment affect access to dental treatment and follow-up care. Victims were often unable to find providers who would accept the Program's rate of payment.
- Providers require guarantee of payment. The low rate the Program pays, coupled with the fact that the Program does not pre-authorize medical or dental treatment, has severely curtailed the number of physicians and dentists willing to provide follow-up care to victims.
- Providers reject Program payment as "payment in full". Many providers object to the statute that requires them to accept the Program's payment as payment in full, especially when they perceive the rate of payment to be extremely low.
- Victims are not fully compensated for out-of-pocket expenses. Advocates and claims specialists reported many instances where victims who paid bills to avoid having them sent to collection, who paid an insurance co-payment, or who simply paid for treatment themselves in order to gain access to services were not fully reimbursed by the Program for their out-of-pocket losses.

¹ "Budget Paper for Discussion and Action," California Victim Compensation and Government Claims Board, January 10, 2003. Page 7.

The staff analysis showed that the Restitution fund can sustain the additional expenditures that would result from increasing the rate of payment for dental and medical expenses.

Analysis of Issues

Dental Expenses

Even before the rate reduction, when dental expenses were paid at 100 percent, victims experienced problems finding dentists who would accept the Program's payment. Dentists were already reluctant to treat victims because the Program does not preauthorize treatment or guarantee payment, and because the Program is slower to reimburse providers than other third party payors. Only a very limited number of dentists accept DentiCal rates across the state. When the Board reduced the rate of payment to DentiCal levels, the action had a devastating effect on victims' access to dental treatment.

Staff recommends that the Board increase the rate of payment for dental expenses to 75 percent of the amount billed (about 25% higher than the current rate) in order to increase crime victims' access to treatment.

Medical Expenses

The Board's current rate of payment (Medicare less 20 percent) limits victims' access to health care, especially when they seek follow up treatment for their injuries. In many areas of the state patients who use Medicare have to search to find physicians who will accept those rates; finding providers who will accept 20 percent less than Medicare is even more difficult. Victims must find a provider willing to perform the needed treatment, the provider must accept the Board's rates as payment in full, and the provider must also agree to perform the treatment without any guarantee of payment from the Program. Many victims are denied treatment or cannot find providers who will accept these conditions.

Staff recommends that the Board increase the rate of payment for most medical expenses to the Medicare rate plus 20 percent in order to increase crime victims' access to treatment.

Other Expenses

In several categories, including cosmetic surgery, prosthetics, eyeglasses, and hearing aids, the payment at the Medicare less 20 percent rate fell even further below the usual and customary rate found for other follow-up treatment expenses. A nominal number of claims fall in this category and cover treatment and equipment that can seriously affect the ability of a crime victim to perform the normal activities of daily life. The staff recommends these expenses be paid at 100 percent of the amount billed.

Estimated Fiscal Impact of Staff Recommendations

If the Board adopts the staff recommendations, total expenditures for FY04/05 are expected to be about \$75.5 million. The rate increases, in conjunction with allowances for an increase in applications due to better access to treatment, will have a fiscal impact of about \$7 million. Long-term projections, including the changes expected from these moderate rate adjustments, show that the Restitution Fund balance will continue to remain stable for the next several years and can sustain this rate of payment. However, any major changes to the application rate or other external factors will effect the current projections and must be monitored.

Staff Recommendations

The staff proposes that the Board adopt the following recommendations:

1. Pay 75 percent of the amount billed for dental expenses.
2. Pay medical expenses at the Medicare rate plus 20 per cent for services covered by Medicare.
 - Pay at 75 percent of the billed amount for services that are not covered by Medicare.
 - Pay for durable medical equipment (DME) at the Medicare DME rate, except for prosthetics, eyeglasses and foreign bills as noted below.
3. Pay specific services at 100% for:
 - Cosmetic surgery
 - Prosthetics
 - Hearing aids and eyeglasses
 - Foreign providers without regard to the date of service, and accept bills in formats other than the standardized forms required of U.S. providers.
4. Improve Access
 - Establish a pilot project to create a method for preauthorizing payment of dental and medical treatment.
 - Review treatment utilization to ensure that the costs fit within the normal and customary rate of payment and to ensure that the effect of the rate increase is to improve victims' access to treatment.
 - Design outreach strategies to publicize the Board actions.
 - Report back to the Board on the effect of these actions.
5. Continue to evaluate strategies for increasing access to mental health treatment.

Should the Board adopt these recommendations, staff recommends that they become effective for all bills with dates of service on or after July 1, 2004.

Exhibits

1. "Analysis of the Impact of Dental and Medical Expense Rate Reductions on Victims of Crime and Recommendations", August 27, 2004.